

4/12/51

Attorney for the Department of Securities

**BEFORE THE COMMISSIONER OF SECURITIES AND INSURANCE  
OFFICE OF THE STATE AUDITOR  
STATE OF MONTANA**

IN THE MATTER OF:

**SHAREVALUE, INC., and  
RICHARD F. REYNOLDS, individually,  
Respondents.**

CASE NO.: SEC-2009-37

**NOTICE OF PROPOSED  
AGENCY ACTION AND  
OPPORTUNITY FOR  
HEARING  
(ADMINISTRATIVE FINE)**

TO: SHAREVALUE, INC.  
1627 W. Main Street, Ste. 301  
Bozeman, MT 59715

**RICHARD REYNOLDS**  
1627 W. Main Street, Ste. 301  
Bozeman, MT 59715

**RICHARD REYNOLDS**  
P.O. Box 3622  
Bozeman, MT 59772

**RICHARD REYNOLDS**  
18925 S. Ash Street  
Belton, MO 64012

**PLEASE TAKE NOTICE:**

Legal Counsel to the Commissioner of Securities and Insurance, Office of the  
State Auditor ("Department"), pursuant to the authority of the Securities Act of Montana,

Mont. Code Ann. § 30-10-101, *et seq.*, is proposing that the Commissioner impose a fine against ShareValue, Inc., and Richard Reynolds (collectively referred to as “Respondents”) for violating the Securities Act of Montana. Specifically, counsel is proposing that the Commissioner impose an administrative fine not to exceed \$5,000 per violation, pursuant to Mont. Code Ann. § 30-10-305(3).

The Commissioner has authority to take such action under the provisions of Mont. Code Ann. § 30-10-305.

### **REASONS FOR ACTION**

There is reasonable cause to believe that the following facts will be proven true and justify imposition of a fine not to exceed \$5,000 per violation against the Respondents.

### **ALLEGATIONS OF FACT**

1. Richard F. Reynolds (“Reynolds”) is the founder, Chief Executive Officer, and President of ShareValue, Inc., (“ShareValue”).
2. ShareValue is located at 1627 W. Main Street, Bozeman, MT 59715.
3. Reynolds, by and through ShareValue, orally and via ShareValue’s website, represents that ShareValue is an “open market direct sales company.”
4. In January of 2009, a Missouri resident (“MR”) contacted the Commissioner’s office and filed a complaint against the Respondents.
5. Reynolds and MR met in September of 2007 and Reynolds told MR that he needed funds to “launch the company and start sales.”

6. Reynolds told MR that Reynolds needed to sell 700,000 shares to provide an incentive for early investors in the following manner:

- Stage 1: 100,000 shares offered at \$1.00 per share with a guaranteed 12% paid monthly;
- Stage 2: 250,000 shares available at \$1.00 per share; and
- Stage 3: 350,000 shares available at \$1.50 per share.

7. MR invested \$20,000 and was given 25,000 shares of ShareValue stock.

8. Reynolds gave MR a Shareholder Agreement, Stock Subscription Agreement, Shareholder Put Option Agreement, and Earning Guarantee Agreement.

9. The Shareholder Put Option Agreement provides that if ShareValue fails to pay the guaranteed return, ShareValue will repurchase the shares from MR within 90 days of receipt of the Notice of Redemption.

10. MR did not receive any of the guaranteed monthly interest payments.

11. Even though MR served a Notice of Redemption on ShareValue, his shares have not been repurchased as promised.

12. Reynolds, by and through ShareValue, continues to sell his investment opportunities via a multi-level marketing scheme where an individual can earn up to \$10,000.

13. Neither Reynolds nor ShareValue are registered with the Commissioner of Securities in any capacity.

### **CONCLUSIONS OF LAW**

1. The State Auditor is the Commissioner of Securities (Commissioner) pursuant to Mont. Code Ann. § 30-10-107.

2. The Securities Department (Department) is under the control and supervision of the Commissioner pursuant to Mont. Code Ann. § 30-10-107.
3. It is the policy of the Securities Act of Montana to protect the public interest. Mont. Code Ann. § 30-10-102(1).
4. The Commissioner and the Department have jurisdiction over this matter. Mont. Code Ann. §§ 30-10-107 and 30-10-305.
5. Except as provided in Mont. Code Ann. § 30-10-105, it is unlawful for a person to transact business in Montana as a broker-dealer or salesperson unless the person is registered pursuant to the Securities Act of Montana. Mont. Code Ann. § 30-10-201(1).
6. It is unlawful for any person to offer or sell any security, as defined in Mont. Code Ann. § 30-10-103(22), in Montana unless the security is duly registered under the laws of Montana. Mont. Code Ann. § 30-10-202.
7. It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly, in, into, or from this state, to employ any device, scheme, or artifice to defraud. Mont. Code Ann. § 30-10-301(a).
8. It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly, in, into, or from this state, to engage in any act, practice, or course of business that operates or would operate as a fraud or deceit upon any person. Mont. Code Ann. § 30-10-301(c).
9. Pursuant to Mont Code Ann. § 30-10-324(3)(a), a multi-level distribution company means a person that: (i) sells, distributes, or supplies goods or services through independent agents, contractors, or distributors at different levels of distribution; (ii) may

recruit other participants in the company; and (iii) is eligible for commissions, cross-commissions, override commissions, bonuses, refunds, dividends, or other consideration that is or may be paid as a result of the sale of goods or services or the recruitment of or the performance or actions of other participants.

10. Pursuant to Mont. Code Ann. § 30-10-326, a multi-level distribution company with a participant who is a resident of Montana must file an annual notice of the company's operation in Montana and an irrevocable consent designating the Commissioner as its agent for service of process for any alleged violation of Mont. Code Ann. § 30-10-325.

11. Pursuant to Mont. Code Ann. § 30-10-305(3), the Commissioner may, after reasonable notice and an opportunity for a hearing, impose a fine not to exceed the sum of \$5,000 per violation upon a person found to have engaged in any act or practice constituting a violation of any provision of the Securities Act of Montana.

12. The Respondents violated Mont. Code Ann. § 30-10-201(1) by transacting securities business within Montana without being registered with the Department.

13. The Respondents violated Mont. Code Ann. § 30-10-202 by offering to sell a security, as defined in Mont. Code Ann. § 30-10-103(22), that is not registered or exempt by the state of Montana.

14. The Respondents violated Mont. Code Ann. §§ 30-10-301(a) & (c) by offering a security that is not exempt or registered pursuant to the Securities Act of Montana.

15. The Respondents violated Mont. Code Ann. § 30-10-326 by failing to file an annual notice of the company's operation in Montana and an irrevocable consent

designating the Commissioner as its agent for service of process for any alleged violation of Mont. Code Ann. § 30-10-325.

### **RELIEF REQUESTED**

For violating provisions of the Securities Act of Montana, staff of the Department seeks to impose an administrative fine against the Respondents not to exceed \$5,000 for each violation of the Securities Act of Montana, in addition to all other penalties imposed by the laws of Montana. Mont. Code Ann. § 30-10-305.

### **STATEMENT OF RIGHTS**

You, SHAREVALUE, INC., and RICHARD F. REYNOLDS, are entitled to a hearing and to respond to this Notice of Proposed Agency Action and to present evidence and arguments on all issues involved in this case. You may have a formal hearing before a hearing examiner appointed by the Commissioner as provided in the Montana Administrative Procedure Act. Mont. Code Ann. § 2-4-601, *et seq.*

You have a right to be represented by an attorney at any and all stages of this proceeding. If you wish to contest the allegations herein, you must make a written request for a hearing within 15 days of receipt of this notice to Jesse Laslovich, Legal Counsel, State Auditor's Office, 840 Helena Avenue, Helena, MT 59601. The hearing shall then be held within 45 days of the Commissioner's receipt of the hearing request, unless the time is extended by agreement of the parties or by order of the hearing examiner. While so advising Mr. Laslovich, your written notice must clearly indicate whether you request a hearing, or whether you waive formal proceedings and, if so, what

informal proceedings you prefer for handling this case. Pursuant to Mont. Code Ann. § 2-4-603(2), you may not request to proceed informally if the action could result in suspension, revocation, or any other adverse action against a professional license. If you request a hearing, you will be given notice of the date, time, and place of the hearing.

Should you request a hearing, you have the right to be accompanied, represented and advised by an attorney. If the attorney you choose has not been admitted to the practice of law in the state of Montana, she or he must comply with the Montana State Bar requirements for appearing *pro hac vice* and *Application of American Smelting and Refining, Co.*, 164 Mont. 139, 520 P.2d 103 (1973) and *Mont. Supreme Court Comm'n on the Unauthorized Practice of Law v. O'Neil*, 2006 MT 284, 334 Mont. 311, 147 P.3d 200 (2006).

### **CONTACT WITH THE COMMISSIONER'S OFFICE**

If you have questions or wish to discuss this matter, please contact Jesse Laslovich, Legal Counsel, Office of the Commissioner of Securities and Insurance, 840 Helena Ave, Helena, MT, 59601, (406) 444-2040. If you are represented by an attorney, please make any contacts with this office through your attorney.

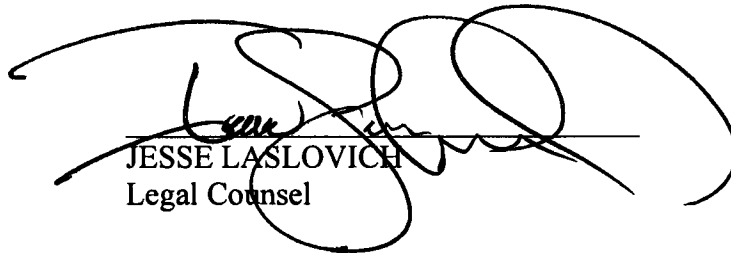
### **POSSIBILITY OF DEFAULT**

Failure to give written notice of your demand for a formal hearing or for informal procedure within 15 days will result in the entry of a default order imposing any sanctions available under Montana law without any additional notice to you pursuant to

Mont. Admin. R. 6.6.101 and the Attorney General's Model Rule 10, Mont. Admin. R.

1.3.214.

DATED this 18 day of JUNE, 2009.



JESSE LASLOVICH  
Legal Counsel

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that on this 18 day of JUNE, 2009, a true and correct copy of the foregoing Notice of Proposed Agency Action and Opportunity for Hearing was served upon the following by certified mail, with postage prepaid and return receipt requested:

ShareValue, Inc.  
1627 W. Main Street, Ste. 301  
Bozeman, MT 59715

Richard Reynolds  
1627 W. Main Street, Ste. 301  
Bozeman, MT 59715

Richard Reynolds  
P.O. Box 3622  
Bozeman, MT 59772

Richard Reynolds  
18925 S. Ash Street  
Belton, MO 64012



Darla Sautter, Legal Assistant  
State Auditor's Office